

Message Text

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ORIGIN PM-04

INFO OCT-01 AF-08 ISO-00 SS-15 CIAE-00 INR-07 NSAE-00 SP-02

L-03 H-02 MC-02 IGA-02 AID-05 EB-07 OMB-01 TRSE-00

ACDA-07 /066 R

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S/S: AOTTO

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R 110244Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

INFO SECDEF

TREASURY

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L STATE 225277

E.O. 11652: GDS

TAGS:MASS, CD

SUBJECT:FY 197T FMS DIRECT CREDIT FOR ZAIRE

1. EMBASSY MAY INFORM GOZ THAT USG IS PREPARED TO PROVIDE \$10 MILLION IN FMS DIRECT CREDIT TO ZAIRE DURING FY 197T (TRANSITIONAL QUARTER) FOR PURCHASE OF MILITARY EQUIPMENT AND ASSOCIATED TRAINING. FY 197T LOAN AGREEMENT MUST BE SIGNED NO LATER THAN SEPTEMBER 30. IF BY TIME LOAN AGREEMENT IS SIGNED GOZ AND USG HAVE NOT AGREED UPON SPECIFIC EQUIPMENT AND ASSOCIATED TRAINING TO BE FINANCED WITH THIS CREDIT, USG WILL WITHHOLD DISBURSEMENT UNTIL SUCH AGREEMENT
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IS REACHED.

2. LOAN OF \$10 MILLION WITH MAXIMUM REPAYMENT PERIOD OF TWELVE YEARS, INCLUDING 30 MONTHS GRACE PERIOD ON REPAYMENT OF PRINCIPAL, WILL BE ISSUED THROUGH DEPARTMENT OF DEFENSE (DOD). DISBURSEMENT PERIOD WILL BE FIRST 24 MONTHS FOLLOWING DATE OF SIGNATURE OF LOAN AGREEMENT. RATE OF INTEREST WILL BE 7.875 PERCENT - COST OF MONEY TO USG DURING MONTH OF SEPTEMBER. INTEREST ON PRINCIPAL OUTSTANDING WILL BE PAID ON APRIL 1 AND OCTOBER 1 OF EACH YEAR

COMMENCING APRIL 1, 1977. PRINCIPAL WILL BE REPAID IN 20 CONSECUTIVE SEMI-ANNUAL PAYMENTS (APRIL 1 AND OCTOBER 1) OF \$500,000 EACH, COMMENCING APRIL 1, 1979. OTHER TERMS OF LOAN WILL BE DETERMINED BY DOD.

3. WE WILL INFORM EMBASSY WHEN LOAN AGREEMENT IS READY FOR SIGNATURE, AT WHICH TIME GOZ SHOULD AUTHORIZE EMBASSY OFFICIAL TO SIGN FY 1977 LOAN AGREEMENT AND PROMISSORY NOTE IN WASHINGTON.

4. WHEN INFORMING GOZ OF THIS NEW OFFER, YOU SHOULD TAKE OPPORTUNITY TO POINT OUT THAT THIS WAS HARD DECISION TO MAKE IN VIEW OF FACT THAT GOZ IS IN ARREARS ON EVERY FMS CREDIT IT HAS SIGNED SINCE 1971. USG WAS ALSO RELUCTANT TO OFFER FURTHER CREDIT FOR NON-ECONOMIC PURPOSE SINCE IT WOULD ONLY BE ADDING TO ZAIRE'S FUTURE ECONOMIC PROBLEMS. HOWEVER, AFTER WEIGHING ZAIRE'S DIFFICULT ECONOMIC SITUATION, THIS CREDIT IS OFFERED WITH GRACE PERIOD OF 30 MONTHS BEFORE FIRST PRINCIPAL PAYMENT (ALTHOUGH INTEREST WILL BE PAID DURING GRACE PERIOD), AND WE HOPE THAT SOUND MANAGEMENT WILL PERMIT ZAIRE TO PAY PRINCIPAL AND INTEREST AS SCHEDULED. KISSINGER

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Margaret P. Grafeld
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